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Input: Health IT spending to reach $12B by 2011

By Ethan Butterfield
Staff Writer

Driven by major program integration and health IT initiatives, state and local government spending on health care and welfare IT is sharply on the rise.

State and local governments are expected to increase spending on health care and welfare IT from $7.6 billion in fiscal 2006 to $12.2 billion by fiscal 2011, according to a new report from market research firm Input Inc., Reston, Va.

One key indicator of the anticipated uptick in spending came recently when the U.S. House of Representatives passed the Health Information Technology Promotion Act of 2006, Input said. The law is meant to solidify the position of the National Coordinator Office for Health IT, which is charged with developing and implementing a national interoperable health IT infrastructure.

The Certification Commission for Healthcare IT also announced that it has certified the first set of 20 e-health records products for use by health care providers.

Additionally, the Centers for Medicare and Medicaid Services announced $150 million in state grants aimed at improving patient care through IT for 2007 and 2008, Input said.

The amount and type of action surrounding health IT suggest forward momentum, said James Krouse, Input's acting director of public sector market analysis.

"We are seeing notable health IT projects from numerous states essentially serving as laboratories for the national efforts," Krouse said.

State and local government spending also will be driven by the pressing need for program efficiencies and fraud and abuse reduction, Input said.

In the short term, IT vendors should look for states to pursue data warehousing projects to pull data from multiple sources to analyze it, Input said.

The next 12 to 18 months could prove to be a watershed period as key prototypes and studies are concluded and Congress contemplates legislation, Input said. The result will likely be a large influx of funding and more clearly defined direction for how the money should be spent, Input said.

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